March 1, 2002

FEDERAL COMMUNICATIONS COMMISSION
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WASHINGTON DC 20554

CC Docket Nos. 80-286, 99-301, and 00-199 – Comments of Public Utility Commission of Oregon in the Matter of Jurisdictional Separations Reform and Referral to the Federal-State Joint Board (80-286); and the 2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase III (99-301 and 00-199)

On October 11, 2001, FCC Order 01-305 adopted significant changes to Parts 32 and 64 of its rule. We are updating our rules[1] to require incumbent local exchange carriers (ILECs)[2] to follow the October 2001 version of the FCC's Parts 32 and 64 with exceptions. Our rules (a) require all ILECs to use the same system of accounts, regardless of the carrier's size, (b) maintain some intrastate accounts so we can perform our statutory duties, and (c) reject the FCC's allocation rules in §32.27.

FCC Order 01-305 adopted a Further Notice of Proposed Rulemaking in CC Docket No. 80-286 and Phase III of CC Docket Nos. 00-199 and 99-301. The FCC is seeking comments on the appropriate circumstances for eliminating accounting and reporting requirements; whether certain Automated Reporting Management Information System (ARMIS) information would more appropriately be collected through other means; and conforming amendments to the separations rules, necessitated by the modifications to the Uniform System of Accounts.

We recommend:

1. The FCC should not eliminate accounts that states regularly use.
2. The FCC should modify, not eliminate, the accounting requirements for ILECs.
3. The FCC should modify, not eliminate, the ARMIS requirements for ILECs.
4. The FCC should modify, not eliminate, the continuing property records rules.
5. The FCC should revise its affiliate transactions rules.
6. The FCC should refer separations matters to the 80-286 Separations Joint Board for a recommendation.

[1] At the hearing in docket AR 437 on February 25, 2002, the Administrative Law Judge recommended adoption of the rules, as shown in Attachment B.

[2] Oregon's telecommunications utilities and cooperatives, as defined in Oregon Revised Statute 759.005, are collectively known as *incumbent local exchange carriers*.

**1. The FCC should not eliminate accounts that states regularly use.**

Driven by what appears to be the belief that confidentiality is an issue, the FCC has begun to eliminate accounts that it does not believe are needed, but are in fact needed by some states (FCC Order 01-305, paragraph 207). If the FCC chooses to ignore the states' needs for detailed account information, the states may be forced to create their own systems of accounts. When a state needs accounting details from ILECs, the ILECs in that state must maintain the details. Consequently, when an ILEC serves more than one state, the ILEC's accounting system will be become larger and more cumbersome than it is now. Thus, the FCC, by eliminating accounts the states require, is both ignoring the needs of the ILECs it regulates and the needs of the states that acted in good faith when prescribing federal accounting requirements.

One clear case where the states have a requirement for detailed account data is revenue-sharing pools. ILECs that participate in revenue-sharing pools must continue to be regulated to avoid antitrust problems. Until state and federal universal service funds and access revenue pools disappear, ILECs need regulatory oversight, and the only way that can be done is with adequate account-level information. Regulatory agencies are obliged to require the ILECs to follow prescribed accounting standards. A primary tool for oversight is the FCC's system of accounts.

The FCC's system of accounts follows generally accepted accounting principles (GAAP) and provides a uniform structure to meet jurisdictional regulatory requirements. ILECs and the Oregon PUC have added to the system of accounts as needed to comply with state and federal tax codes, state rules and statutes, regulatory policies, and corporate needs. The Oregon specific rules require ILECs to follow the FCC's 2001 Part 32, Uniform System of Accounts for Telecommunications Companies, with exceptions, and the FCC's 2001 Part 64, Subpart I, Allocation of Costs, with exceptions. Competitive providers are not subject to similar rules in Oregon.

Oregon's rules prescribe uniform financial accounting and cost allocation methods for ILECs for several reasons. First, uniform reporting allows Staff to more quickly investigate, evaluate, and prepare recommendations about Oregon Universal Service fund contributions, distributions, and rates;[3] intrastate access charge filings; and other intrastate tariff filings. Second, uniform accounting provides some protection for participants in the revenue-sharing pools, because each ILEC is constrained to report revenues and costs in similar ways, thereby placing the participants on an equal basis and allowing more timely regulatory oversight. Third, uniform accounting and reporting allow the ILECs to plan for Staff's data requests.

The following example describes one way the Oregon PUC uses the prescribed Uniform System of Accounts. Each year, in March, staff receives an Oregon Customer Access Plan proposal[4] from the

[3] The *Oregon Universal Service fund* is a competitively neutral and nondiscriminatory fund to ensure that basic telephone service is available at a reasonable and affordable rate (Oregon Revised Statute 759.425). It is funded by a surcharge collected by Oregon telecommunications carriers on their intrastate retail telecommunications revenues (Oregon PUC Orders 00-312 and 01-1063). The surcharge may be passed through to customers and levied on their telephone bills.

[4] Oregon ILECs develop their access charges according to rules established in the *Oregon Customer Access Plan*. The plan lets ILECs pool their costs and develop average access rates or develop company-specific access

Oregon Exchange Carriers Association.[5] Staff must analyze the proposal, separations information, and financial information from each participating ILEC and then put together an intrastate access charge recommendation that must be submitted to the Commission by the end of June. The time for analyzing the information and preparing the recommendation is fairly short.

Staff is able to carry out this analysis because it has two annual reports available: Form I and Form O. Form I and Form O contain information in Part 32 format from each ILEC. Form I contains separated results of Oregon operations, while Form O contains data on total company and Oregon-specific operations. The ILECs file Form O in April and Form I in October.

Currently, our accounting, separations, and reporting requirements are similar to those of federal and other state jurisdictions.[6] As the FCC changes its system of accounts, states' accounting and reporting requirements are likely to diverge and impose more burdens on ILECs than they face now. If the FCC eliminates many more accounts, we may consider adopting our own system of accounts for ILECs operating in Oregon.

We opened rulemaking docket AR 437 to consider updating our rules on January 8, 2002. Staff recommended that we adopt most of the revisions in FCC Order 01-305, because the revisions appeared to be reasonable for Oregon regulatory purposes. Staff also recommended that we reject some FCC changes and retain or add a few accounts so we could continue to perform our statutory duties. In February, commenters recommended some word changes but did not change the effects of Staff's proposal for the accounting rules. The parties reached an agreement, and staff filed a revised proposal on February 22, 2002. At the hearing on February 25, 2002, the Administrative Law Judge recommended adoption of the rules, as shown in Attachment B.

The resulting rules recognize the differences between federal and Oregon laws and policies. These rules place the same accounting requirements on all ILECs, regardless of size, affiliated interests, loan status, or FCC classifications. While they do not greatly reduce the number of accounts that Oregon's small ILECs must keep, they minimize the overall accounting details required from all ILECs. Each ILEC must follow Class A accounting, as needed, for Oregon regulatory purposes. For example, certain Class A accounts are needed to complete intrastate depreciation and jurisdictional separation studies,[7] to provide

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charge rates. Oregon PUC approved this pool in 1989, because it was the best way to promote competition and ensure affordable toll rates throughout Oregon. Low cost ILECs pay into the pool and high cost ILECs draw from the pool.

[5] The Oregon Exchange Carriers Association acts as a rate bureau for the participating carriers in the Oregon Customer Access Fund and voluntary pools. See Oregon Administrative Rule 860-032-0100.

[6] Oregon ILECs with operations or affiliates in other states include Asotin Telephone Company, Midvale Telephone Exchange, Oregon-Idaho Utilities, Qwest Corporation, Sprint/United Telephone Company of the Northwest, and Verizon Northwest.

[7] The FCC admits that some Class A accounts are still needed to administer the federal universal service fund. In FCC Order 01-305, paragraphs 111-112, the FCC declined to adopt the United States Telecom Association proposal "to allow all carriers to allocate all part 64 costs at the Class B level... [The FCC] conclude[d] that it is necessary to continue to require Class A carriers to allocate costs at the Class A level for the limited number of Class A accounts needed for the administration of the universal service high-cost support mechanism... [The FCC] retain[ed] certain Class A accounts relating to network plant and related asset and expense accounts..."

the details requested in Oregon's annual reports, to administer the Oregon Customer Access Plan,[8] and to comply with Oregon rules and statutes.

Although our rules had not clearly said so, Oregon had been requiring Class A accounting for many accounts as shown on the Annual Report Form O. In addition, two-thirds of the ILECs currently must use Class A accounting for some other purpose,[9] and using Class A accounts is consistent with the current accounting requirements of Rural Utilities Service. While it might have been simpler to require Class A accounting for all ILECs, our rules serve intrastate Oregon needs.

Although the FCC reduced the number of Class A accounts by 45 percent,[10] the effect on Oregon accounting is much less significant. Attachment A is a copy of the Oregon PUC's 2001 Annual Report Form O for ILECs, and it highlights the accounts that our rule changes will eliminate. For reporting purposes, Oregon already had combined many accounts that the FCC has merged, and the FCC adopted most Class A revisions that the Oregon PUC had recommended in its December 2000 comments to the FCC.

Docket AR 437 illustrates what happens when the FCC's rules do not meet the needs of other users of the system of accounts. In docket AR 437, the Administrative Law Judge has recommended adoption of Staff's proposal, which would update the Oregon Administrative Rules to:

a) Maintain the exception for allocation of costs and reject the FCC's affiliated interest rules in §32.27. We believe our policies and rules related to nonregulated activities should remain consistent for all regulated entities, regardless of whether they provide telecommunications, electric, gas, steam heat, water, or wastewater utility services.

b) Retain the depreciation details from the 1998 Part 32 and maintain Oregon's exceptions for short-term or relatively low-value construction projects and for property held for future use assets and expenses, because Part 32 (such as §32.2003(b) and §32.6560) violates Oregon Revised Statute 759.285.[11] These exceptions help us determine revenue requirements for intrastate tariff filings in compliance with Oregon law and comply with §32.6560(a).[12]

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[8] The Oregon PUC reviews ILECs' filings and sets rates annually for the Oregon Customer Access Plan.

[9] Twenty-three of Oregon's 34 ILECs must currently use Class A accounts. First, the FCC requires Century Telecommunications, Citizens Telephone Company of Oregon, Qwest, Sprint, and Verizon to follow Class A accounting, because each entity is part of a group that has annual revenues from regulated telecommunications operations that exceed the indexed revenue threshold, currently $117 million. Second, Rural Utilities Service requires its borrowers to use Class A accounting. According to annual reports filed for the year 2000, CenturyTel of Eastern Oregon, 14 small telecommunications utilities (each serves less than 15,000 access lines), and four telecommunications cooperatives have loans from Rural Utilities Service.

[10] Paragraphs 27-78 of FCC Order 01-305 describe the elimination and consolidation of accounts.

[11] Oregon Revised Statute 759.285 prohibits the inclusion in revenue requirement of "property not presently used for providing utility service to the customer."

[12] Oregon's rules are consistent with §32.6560(a), which states: "account [6560] shall include... depreciation expense of capitalized costs included in Account 2002, Property held for future telecommunications use."

c) Retain the details about directory revenue[13] and billing and collection revenue from Accounts 5230 and 5270 for large telecommunications utilities.[14] Directory and billing and collection revenues are usually significant for ILECs with more than 50,000 access lines, and these revenues are operating revenues under Oregon law. Such revenues are not usually significant for smaller ILECs; therefore, the proposed rules, as shown in Attachment B, will exempt small ILECs from this accounting requirement.[15]

d) Recognize that Oregon has a corporate excise tax (often referred to as an income tax). We need state and federal tax details to determine intrastate revenue requirements. Therefore, the proposed rules, as shown in Attachment B, will add a deferred tax exception for telecommunications utilities by continuing to collect tax details required by the October 1998 system of accounts. The proposed rules do not apply this exception to telecommunications cooperatives and associations, because cooperative ILEC operations are exempt from income taxes.

e) Add universal service fund revenue and expense exceptions to help us monitor the Oregon Universal Service fund and determine intrastate revenue requirements in tariff filings. These details were on the Annual Report Form O for the year 2001.[16]

f) Add switched and special access revenue exceptions to continue to provide intrastate revenue details that we need. The exceptions recognize that ILECs are subject to different jurisdictions. We need to have the ILECs identify intrastate access revenues to determine intrastate revenue requirements.

g) Continue requiring telecommunications utilities to file their cost allocation manuals (CAM) with the Oregon PUC. ILECs should continue to file them with us, and Staff should continue to review them. For mid-sized carriers, the FCC eliminated the annual filings and the requirement that the manuals be subject to an attest audit every two years. (FCC Order 01-305, paragraphs 184-192, 204, and 122-125.) The FCC has not required cost allocation manuals from Class B carriers. These manuals describe the procedures the ILECs use to allocate costs between regulated and nonregulated services. We have followed the FCC's guidelines but have maintained our own reporting requirements for telecommunications utilities.

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[13] According to Oregon Administrative Rule 860-032-0080: "'Gross retail intrastate revenue' includes all revenue paid by or on behalf of a final customer for... directory and operator services including yellow pages..." See also Oregon PUC Orders 88-488, 89-1807, 00-191, and 01-728. Thus, directory revenues are operating revenues in Oregon and include revenues imputed from affiliated directory companies. They totaled 6.4 percent of the large telecommunications utilities' gross Oregon revenues in 2000.

[14] Oregon Revised Statute 759.040 divides telecommunications utilities into two categories: those with 50,000 or more access lines (large telecommunications utilities) and those with less than 50,000 access lines (small telecommunications utilities).

[15] Oregon's rules are consistent with §32.5200(a), which states: "account [5200] shall include revenue derived from... Alphabetical and classified sections of directories including fees paid by other entities for the right to publish the company's directories..."

[16] Oregon's rules are consistent with §32.5081(b), which states: "Subsidiary record categories shall be maintained in order that the company may separately report amounts related to federal and state tariffed charges."

h) Continue requesting less detail than FCC requires under Class A accounting. For example, staff's proposed Annual Report Form O would continue to combine accounts 2310-2341, 5000-5060, 6110-6114, 6120-6124, 6310-6341, and 6530-6535 (see Attachment A).

**2. The FCC should modify, not eliminate, the accounting requirements for ILECs.**

The FCC seeks "to further develop the record on the appropriate circumstances for elimination of accounting and reporting requirements for ILECs, including whether some or all requirements should be eliminated by a date certain" (FCC Order 01-305, paragraph 7, and paragraphs 205-210). An argument justifying the elimination was based on the assumption that a majority of the impacted firms already had pricing flexibility. Pricing flexibility has not been fully exercised in Oregon.[17] Further, there are additional requirements for the information that would continue to exist even if all of the firms had pricing flexibility. Two common needs for this data are tied to monitoring funds, such as Universal Services, and to regulatory oversight.

Almost all ILECs participate in the federal-level universal service funds, which require participating carriers to provide detailed information about their operations. To provide interstate data to the FCC, carriers must also derive the intrastate data. Therefore, it is not burdensome to also report the intrastate data.

An important regulatory function is ensuring that ILECs do not use their monopoly power to drive potential competitors out of new and existing competitive markets. It would be very easy, without regulatory oversight, for an ILEC to price certain of its services below incremental cost to drive out competitors. It is also important that the competitors and competitive entrants are aware that there is a mechanism in place that will prevent predatory pricing. This awareness is almost as important as controlling predatory practices.

One way to ensure that the competitors and competitive entrants know the regulators have adequate information to provide oversight is with standard reports that provide that information. A standard set of well-defined reports signals that it is highly likely that predatory pricing will be detected; this is not the case with ad hoc reports that may not be either timely or adequate.

A further requirement for regulatory oversight is to ensure that the firms meet their basic, mandated service requirements. Laws require ILECs to be the carriers of last resort. Until public policies change to reduce or deny customer access to basic telephone service, ILECs should be subject to regulatory oversight. We have recently seen what happened to Enron and its wholly-owned subsidiary, Portland General Electric. Without the full regulatory oversight that approved the purchase, the electric utility could have been pulled into bankruptcy, too.

Any sunset period for the system of accounts would be an abdication of the FCC's oversight responsibility. Generally accepted accounting principles (GAAP) are subject to interpretation. Without uniform

[17] Qwest has opted into price-cap regulation under ORS 759.410. Oregon's cooperatives and small telecommunications utilities, which have 50,000 or fewer access lines, are generally not subject to local rate regulation, but they are subject to rate-of-return regulation for access charges and through services, such as intrastate toll/access service, extended area service, and E 911.

accounting and reporting rules to help interpret GAAP, ILECs will develop divergent accounting and reporting systems; and it will become impossible for regulatory agencies to review data in timely and meaningful ways. If state commissions create their own systems of accounts and reporting requirements, ILECs will face much more burdensome requirements.

In Part 32, the FCC's system of accounts follows GAAP and merely provides a uniform structure to meet jurisdictional regulatory requirements; Part 32 does not replace GAAP. Such uniformity reduces regulatory lag because it allows the ILECs to know what will be expected of them and allows them to provide the right information quickly to the regulators. Until ILECs are fully deregulated, which will not occur in the foreseeable future, no ILECs should be allowed to quit using a uniform system of accounts and create their own accounting and reporting systems, based on their own interpretations of GAAP.

**3. The FCC should modify, not eliminate, the ARMIS requirements for ILECs.**

The FCC seeks "comment on whether certain ARMIS information would more appropriately be collected through other means such as ad hoc data requests or [the FCC's] Local Competition and Broadband Data Gathering Program" (FCC Order 01-305, paragraph 211).

ARMIS requirements should not sunset by any date. State regulators often use these reports for comparisons between carriers, or comparison of their state with others, when assessing regulatory needs within their jurisdictions. State legislative bodies use ARMIS data to help determine whether there is a need for adjustment in state policies.

If a competitive marketplace begins to flourish, there may be less need to look at such comparisons, because market forces would then determine prices and services to consumers. Even then, states would be interested in where they stand and whether improvements are needed and a consistent national database could help them make better decisions.

Proposing sunset dates for ARMIS requirements now is premature. Sunsetting should be based on an expectation that a competitive telecommunications market will be fully functioning at a future time that can be predicted, that consumer protection would, at that time, be adequate to prevent abuses by the ILEC, that deterioration of the competitive environment is unlikely, and that information that would assist in determining a need for improvements is no longer necessary. None of these events can be predicted with any certainty.

The history of the implementation of the Telecommunications Act of 1996 to date consists of many examples of over-optimistic expectations and failures to meet them. Setting a date for sunsetting any rule could well result in the same type of error. We have seen recently the large negative financial impacts that abuses of accounting procedures can have. The cost of maintaining and enforcing accounting rules, and requiring that a positive case be made before eliminating a rule, will be small by comparison.

We need more information about telecommunications infrastructure, especially as competitive carriers own more of the infrastructure. For example, about two years ago, Staff was asked to find out how many miles of fiber existed in Oregon. While information was available from some carriers, others were reluctant to share that information as long as they were not required to. Obtaining information from only mandatory price cap carries does not paint a complete picture. Expanding the data collection might also assist in assessing the status of competition and how much of that competition is actually facilities-based. Moving the ARMIS 43-07 information collection to the Local Competition and Broadband Data Gathering Program would help provide a more adequate assessment of infrastructure status. Also, collecting expanded information on new technologies being used in the public switched network would help the FCC and states perform their statutory duty to assess progress in meeting Section 706 goals and should be undertaken.

**4. The FCC should modify, not eliminate, the continuing property records rules.**

The FCC seeks "comment on eliminating [the FCC's] rules for continuing property records (CPR), specifically section 32.2000(e) and (f)" (FCC Order 01-305, paragraph 212).

The FCC should not eliminate the rules for CPR; rather, the rules should be modified to make them simpler and more useful. A new rulemaking docket should be opened to address the details of this new set of rules. This docket should also address implementation issues such as the use and duration of a test period where both the new and the current rules are in effect.

The present set of rules frequently force plant transactions to be monitored at levels of detail that are in excess of what is required by the states. This increases the carrier's cost, which is generally passed on to its customers, and generates data that are difficult to analyze. One problem with the present set of rules is ambiguous, open-ended sections that, if strictly followed, could result in superfluous data collection. Another problem, which is more difficult to address, relates to the interaction of the rules. Individually, many of the rules are unambiguous and reasonable, but when applied jointly result in requirements that are no longer unambiguous and reasonable. Sample problem areas are discussed below. Notwithstanding the problems, the CPR rules are still needed.

Eliminating the CPR rules altogether would create a situation fraught with problems. If CPR requirements are dropped, it is highly unlikely that alternative information sources, useful to state regulators, would be developed. If there were no on-going requirement for the carrier to produce the needed information, it would simply not be available after a while. Even if the information were available, the state regulators would be required to make annual, special requests to each carrier for the information that they need. Under these conditions, it is unlikely that the information would be consistent from carrier to carrier nor is it likely that it would be consistent from one year to the next since different staffs would translate the requests differently.

The FCC noted that ILECs have an incentive, for engineering purposes, to track their property at the unit level, whether it is cable or the detail components of their various types of switches (FCC Order 01-305, paragraph 212). This is generally true, but the problem with this information is that it is in a format required by the engineering systems and not in a format that is useful for performing analysis on the data or reviewing costs. ILECs generally do not have an incentive to track their costs at any level of detail, except for specific projects. Further, if there were no formal requirement to produce the information on a periodic basis, the information needed by regulators will only be produced on a formal request basis. This would make it difficult for the regulator to get a clear understanding of how the investment is evolving over time and to detect any unusual changes in investment.

The following discussion provides some examples where the rules, either through the specific requirements that they establish or through their vagueness, force the ILECs to develop CPR that track information at a level of detail that is both more costly than it need be and not useful to state regulators trying to understand the ILECs' investments. The discussion is intended to highlight some of the current problems, not to propose solutions. Solutions need to be developed in a new docket.

SAMPLE PROBLEM AREAS:

*§32.2000(e)(1)(iii). "Any other specific financial and cost accounting information not properly warranting separate disclosure as an account or subaccount but which is needed to support regulatory, cost, tax, management, and other specific accounting information needs and requirements."*

This general requirement for financial and cost accounting information is too general to act on. Both the nature of the data, which is any type of plant below the subaccount level, and the uses to which it will be put are too vaguely defined.

*§32.2000(e)(2)(iii). "[The basic property records must be:] equal in the aggregate to the total investment reflected in the financial property control accounts as well as the total of the cost allocations supporting the determination of cost-of-service at any particular point in time..."*

The primary problem with subsection (iii) is that it imposes a joint condition that must be met. The aggregate investment recorded on the CPR must equal the total investment recorded in the property control accounts and the total allocations supporting the determination of cost-of-service. If the total allocations always match the investment in the property control accounts, the second constraint is redundant. If the constraint is not redundant, then the conditions cannot be simultaneously met.

*§32.2000(e)(7)(ii). "The records supplemental to the continuing property records shall disclose such service designations, usage measurement criteria, apportionment factors, or other data as may be prescribed by the Commission in this part or other parts of its Rules and Regulations. Such data are subject to the same general controls and standards for auditability and support as are all other elements of the basic property records."*

This is an open-ended requirement to keep supplemental records on "other data" associated with the CPR. The requirement for the other data can be defined either by the Commission or it may be a part of the rules and regulations.

*§32.2000(f)(2)(i) Property record units. "(i) In each of the established accounting areas, the "property record units" which are to be maintained in the continuing property record shall be set forth separately, classified by size and type with the amount of original cost (or other appropriate book cost) associated with such units. When a list of property record units has been accepted by the Commission, they shall become the units referred to in this statement of standard practices. Such units shall apply to only the regulated portion of this system of accounts . . .*

*"(iii) The continuing property record shall reveal the description, location, date of placement, the essential details of construction, and the original cost (note also Sec. 32.2000(f)(3) of this subpart) of the property record units. The continuing property record and other underlying records of construction costs*

*shall be so maintained that, upon retirement of one or more retirement units or of minor items without replacement when not included in the costs of retirement units, the actual cost or a reasonably accurate estimate of the cost of the plant retired can be determined."*

Although the requirement to maintain "property record units" containing original cost by size and type is generally reasonable, there are common cases where it is not. One such case is buried cable. Buried cable investment is made up of two components: the material cost of the cable and the placement cost. For any given size of cable, the material cost does not vary significantly from one location to another. On the other hand, the placement cost, which represents a substantial portion of the investment, can vary by twenty-fold. At the extreme, it is possible for a 25-pair cable to have the same installed investment per foot as a 900-pair cable. More commonly, it would be difficult to differentiate between closer sizes, such as a 100-pair and 600-pair cable making it pointless to track buried cable investment by cable size. In addition, the cost by size is even less useful since an average cost by size is used.

Keeping "property record units" by size and type to track cost significantly adds to the volume of information that needs to be collected without producing any additional value for either the ILEC or the regulator. An outside plant engineering system would typically track cables by size, type, date of placement and route, but it would typically not carry any cost information.

*§32.2000(f)(3)(i) Unit identification. "Cost shall be identified and maintained by specific location for property record units contained within certain regulated plant accounts or account groupings such as Land, Buildings, Central Office Assets, Motor Vehicles, Garage Work Equipment, and Furniture. In addition, units involved in any unusual or special type of construction shall be recorded by their specific location costs (note also Sec. 32.2000(f)(3)(ii)(B) of this subpart."*

In the past, contracts with switch vendors produced a detailed breakout of each of the switch's components. This made sense since the individual components were fairly expensive: A single card could cost hundreds of dollars and a single, fully loaded frame could cost over a hundred thousand dollars. Frequently, with current switch contracts, the costs are often based on a company-wide cost per line rather than individual component costs. With this change in the way switches are purchased, tracking by unit cost no longer makes sense, especially if the tracking unit is a frame or a card.

Driving the change to cost-per-line pricing was a very significant drop in switch prices.

*§32.2000(f)(5) Identification of property record units. "There shall be shown in the continuing property record or in record supplements thereof, a complete description of the property records units in such detail as to identify such units. The description shall include the identification of the work order under which constructed, the year of installation (unless not determinable per Sec. 32.2000(f)(4) of this subpart, specific location of the property within each accounting area in such manner that it can be readily spot-checked for proof of physical existence, the accounting company's number or designation, and any other description used in connection with the determination of the original cost. Descriptions of units of similar size and type shall follow prescribed groupings."*

Although this is reasonable as a guideline, there are cases where it is not; switching is one such case. Switches have gone from being items sold by the individual part for a specific location to being sold on a per line basis without regard to a specific geographic location. In the past, an inventory could be taken of the individual cards and frames since there was an explicit cost associated with each component. Under the new type of contract, this is no longer the case; the individual components generally do not have a well-defined specific cost.

**5. The FCC should revise its affiliate transactions rules.**

The FCC seeks "to refresh the record on our affiliate transactions rules" (FCC Order 01-305, paragraphs 214-217). The FCC lets ILECs use a tariffed rate or a prevailing price valuation for any transfer.[18] In Oregon, for assets transferred ***from*** nonregulated accounts or affiliated interests to regulated accounts, the utilities and ILECs must use the lower of net book value or fair market value.[19] For assets transferred ***to*** nonregulated accounts or affiliated interests from regulated accounts, Oregon utilities and ILECs must use a tariffed rate or the higher of net book value or fair market value. Our policies and rules related to nonregulated activities should remain consistent for all regulated entities, regardless of whether they provide telecommunications or other utility services. We have followed this transfer pricing policy for over 14 years for all regulated entities, including ILECs.

**6. The FCC should refer separations matters to the 80-286 Separations Joint Board for a recommendation.**

The FCC seeks "comment on conforming amendments to our separations rules, necessitated by our modifications to the Uniform System of Accounts" (FCC Order 01-305, paragraphs 218-221). The FCC correctly identified items that may require changes to the Part 36 separations rules. We are concerned, however, with the lack of referral to the 80-286 Separations Joint Board for review and a Recommended Decision. While some changes may be minor, the elimination of accounts and the introduction of new subaccounts may require more than a simple revision. For example, for those carriers subject to category and factor freeze, eliminating or introducing new categories may require reinitialization of the frozen category percentages. New subaccounts may require identification of new relative use or fixed jurisdictional allocators.

The 80-286 Joint Board invested considerable time and effort into the review and analysis of parties' comments and cost data to recommend the Separations Freeze adopted by the Commission in FCC

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[18] §32.27(b) requires: "Assets sold or transferred between a carrier and its affiliate pursuant to a tariff... shall be recorded in the appropriate revenue accounts at the tariffed rate. Non-tariffed assets sold or transferred between a carrier and its affiliate that qualify for prevailing price valuation, as defined in [§32.27(d)], shall be recorded at the prevailing price. For all other assets sold by or transferred from a carrier to its affiliate, the assets shall be recorded at no less than the higher of fair market value and net book cost. For all other assets sold by or transferred to a carrier from its affiliate, the assets shall be recorded at no more than the lower of fair market value and net book cost."

[19] For large and small telecommunications utilities, Oregon Administrative Rules 860-027-0052(3) and 860-034-0394(3) require: "(a) When an asset is transferred to regulated accounts from nonregulated accounts, the transfer shall be recorded in regulated accounts at the lower of net book value or fair market value; (b) When an asset is transferred from regulated accounts to nonregulated accounts, the transfer shall be recorded in regulated accounts at the tariff rate if an appropriate tariff is on file with the Commission. If no tariff is applicable, proceeds from the transfer shall be recorded in regulated accounts at the higher of net book value or fair market value."

Order 01-162. Any further revisions should also be reviewed and analyzed by the Joint Board. The FCC should refer these matters to the 80-286 Joint Board for a recommended decision. The FCC should direct commenters to file comments and replies to these questions in docket 80-286.

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| Roy Hemmingway<br>Chairman | Lee Beyer<br>Commissioner | Joan Smith<br>Commissioner |

Attachment

nprm01-305 oregon 3-1-02.doc

## B-1. BALANCE SHEET

| Line No. | Description *(a)* | *Columns (b)-(f)* |
|---|---|---|
| | Assets | |
| 1 | 1120 Cash and Equivalents | |
| | ~~1180-1181 Telecommunications Accounts Receivable - Net~~ | |
| | ~~1190-1191 Other Accounts Receivable - Net~~ | |
| 2 | ~~1200-1201 Notes Receivable - Net~~ 1170 Receivables | |
| 3 | ~~1210 Interest and Dividends Receivable~~ 1171 Allowance for Doubtful Accounts | |
| 4 | 1220 Inventories | |
| 5 | 1280~~-1330~~ Prepayments | |
| 6 | 1350 Other Current Assets | |
| 7 | Total Current Assets | |
| | ~~1401 Investments in Affiliated Companies~~ | |
| | ~~1402 Investments in Nonaffiliated Companies~~ | |
| 8 | 1406 Nonregulated Investments | |
| | ~~1407 Unamortized Debt Issuance Expense~~ | |
| | ~~1408 Sinking Funds~~ | |
| 9 | 1410 Other Noncurrent Assets | |
| | ~~1437 Deferred Tax Regulatory Asset~~ | |
| 10 | 1438 Deferred Maintenance, Retirements, and Other Deferred Charges | |
| | ~~1439 Deferred Charges~~ | |
| 11 | 1500 Other Jurisdictional Assets - Net | |
| 12 | Total Noncurrent Assets | |
| 13 | 2001 Telecommunications Plant in Service | |
| 14 | 2002 Property Held for Future Telecommunications Use | |
| 15 | 2003 Telecommunications Plant Under Construction | |
| 16 | 2005 Telecommunications Plant Adjustment | |
| 17 | 2006 Nonoperating Plant | |
| 18 | 2007 Goodwill | |
| 19 | Total Plant | |
| | Telecommunications Plant in Service | |
| 20 | 2111 Land | |
| 21 | 2112 Motor Vehicles | |
| 22 | 2113 Aircraft | |
| 23 | 2114 Tools and Other Work Equipment | |
| 24 | 2121 Buildings | |
| 25 | 2122 Furniture | |
| 26 | 2123~~.1~~ Office ~~Support~~ Equipment | |
| | ~~2123.2 Company Communications Equipment~~ | |
| 27 | 2124 General Purpose Computers | |
| 28 | Total Land and Support Assets | |

## B-1. BALANCE SHEET (continued)

| Line No. | Description *(a)* | *Columns (b)-(f)* |
|---|---|---|
| 29 | 2211 ~~Analog Electronic~~ Non-digital Switching | |
| 30 | 2212**.1** Digital Electronic Switching - **Circuit** | |
| 31 | 2212**.2** Digital Electronic Switching - **Packet** | |
| | ~~2215 Electromechanical Switching~~ | |

| | | |
|---|---|---|
| 32 | Total Central Office - Switching | |
| 33 | 2220 Operator Systems | |
| 34 | 2231 Radio Systems | |
| 35 | 2232**.1** Circuit Equipment - **Electronic** | |
| 36 | 2232**.2** Circuit Equipment - **Optical** | |
| 37 | Total Central Office - Transmission | |
| 38 | Total Central Office Assets | |
| 39 | 2310-2341 Information Origination/Termination | |
| 40 | 2351 Public Telephone Terminal Equipment | |
| 41 | 2362 Other Terminal Equipment | |
| 42 | Total Information Origination/Termination | |
| 43 | 2411 Poles | |
| 44 | 2421.1 Aerial Cable - Metallic | |
| 45 | 2421.2 Aerial Cable - Nonmetallic | |
| 46 | 2422.1 Underground Cable - Metallic | |
| 47 | 2422.2 Underground Cable - Nonmetallic | |
| 48 | 2423.1 Buried Cable - Metallic | |
| 49 | 2423.2 Buried Cable - Nonmetallic | |
| 50 | 2424 Submarine ~~Cable~~ and ~~2425~~ Deep Sea Cable | |
| 51 | 2426 Intrabuilding Network Cable | |
| 52 | 2431 Aerial Wire | |
| 53 | 2441 Conduit Systems | |
| 54 | Total Cable and Wire Facilities | |
| 55 | 2680-2682 Amortizable Tangible Assets | |
| 56 | 2690 Intangibles | |
| 57 | Total Other Assets | |
| 58 | Telecommunications Plant in Service | |
| | Accumulated Depreciation and Amortization | |
| 59 | 3100 Depreciation - Telecommunications Plant in Service | |
| 60 | 3200 Depreciation - Property Held for Future Telecommunications Use | |
| 61 | 3300 Depreciation - Nonoperating | |
| 62 | 3410 Amortization - Capitalized Leases | |
| 63 | Accumulated Depreciation and Amortization | |
| 64 | Net Plant | |
| 65 | Total Assets | |

## B-1. BALANCE SHEET (continued)

| Line No. | Description *(a)* | *Columns (b)-(f)* |
|---|---|---|
| | Oregon Commission Basis | |
| 66 | Telecommunications Plant in Service (excludes Payphones) | |
| 67 | Accumulated Depreciation and Amortization on Regulated Plant | |
| 68 | Net Plant | |
| | Liabilities and Equity | |
| 69 | 4000 Current Accounts and Notes Payable | |
| 70 | 4040 Customer Deposits | |
| | ~~4050-4060 Current Maturities~~ | |
| 71 | 4070 Income Taxes - Accrued | |
| 72 | 4080 Other Taxes - Accrued | |

| | | |
|---|---|---|
| 73 | 4100 Net Current Deferred Operating Income Taxes | |
| 74 | 4110 Net Current Deferred Nonoperating Income Taxes | |
| 75 | ~~4120~~ 4130 Other Current Liabilities | |
| 76 | Total Current Liabilities | |
| 77 | 4200 Long Term Debt and Funded Debt | |
| 78 | 4300 Other Long Term Liabilities and Deferred Credits | |
| 79 | 4320 Unamortized Operating Investment Tax Credits - Net | |
| 80 | 4330 Unamortized Nonoperating Investment Tax Credits - Net | |
| 81 | 4340.1 Net Noncurrent Deferred Operating Federal Income Tax | |
| 82 | 4340.2 Net Noncurrent Deferred Operating State Income Tax | |
| 83 | 4341 Net Deferred Tax Liability Adjustments | |
| 84 | 4350~~.1~~ Net Noncurrent Deferred Nonoperating ~~Federal~~ Income Tax | |
| | ~~4350.2 Net Noncurrent Deferred Nonoperating State Income Tax~~ | |
| | ~~4360 Other Deferred Credits~~ | |
| 85 | 4361 Deferred Tax Regulatory Liability - Net | |
| 86 | 4370 Other Jurisdictional Liabilities and Deferred Credits - Net | |
| 87 | Total Other Liabilities and Deferred Credits | |
| 88 | 4510 Capital Stock | |
| 89 | 4520 Additional Paid-In Capital | |
| 90 | 4530 Treasury Stock | |
| 91 | 4540 Other Capital | |
| 92 | 4550 Retained Earnings (from Retained Earnings, below) | |
| 93 | Total Stockholders' Equity | |
| 94 | Total Liabilities and Equity | |
| 95 | Retained Earnings | |
| 96 | 460 Balance at January 1 | |
| 97 | 465 Net Income (from Income Statement, Schedule I-1) | |
| 98 | 470 Dividends Declared | |
| 99 | 475 Miscellaneous Debits | |
| 100 | 480 Miscellaneous Credits | |
| 101 | 490 Balance at December 31 | |

## B-2 and B-3. ANALYSIS OF DEPRECIATION

| Line No. | Plant Account Description *(a)* | *Columns (b)-(h)* |
|---|---|---|
| 1 | 2112 Vehicles | |
| 2 | 2113 Aircraft | |
| 3 | 2114 Tools and Other Work Equipment | |
| 4 | 2121 Buildings | |
| 5 | 2122 Furniture | |
| 6 | 2123~~.1~~ Office ~~Support~~ Equipment | |
| | ~~2123.2 Company Communications Equipment~~ | |
| 7 | 2124 General Purpose Computers | |
| 8 | 2211 ~~Analog Electronic~~ Non-digital Switching | |
| 9 | 2212**.1** Digital Electronic Switching - **Circuit** | |
| 10 | 2212**.2** Digital Electronic Switching - **Packet** | |
| | ~~2215 Electromechanical~~ | |
| 11 | 2220 Operator Systems | |
| 12 | 2231 Radio Facilities | |
| 13 | 2232**.1** Circuit Equipment - **Electronic** | |

| | | |
|---|---|---|
| 14 | 2232**.2** Circuit Equipment - **Optical** | |
| 15 | 2311-2341 Information Origination/Term. | |
| 16 | 2351 Public Tel. Terminal Equipment | |
| 17 | 2362 Other Terminal Equipment | |
| 18 | 2411 Poles | |
| 19 | 2421.1 Aerial Cable - Metallic | |
| 20 | 2421.2 Aerial Cable - Nonmetallic | |
| 21 | 2422.1 Underground Cable - Metallic | |
| 22 | 2422.2 Underground Cable - Nonmetallic | |
| 23 | 2423.1 Buried Cable - Metallic | |
| 24 | 2423.2 Buried Cable - Nonmetallic | |
| 25 | 2424 Submarine ~~Cable~~ and ~~2425~~ Deep Sea Cable | |
| 26 | 2426 Intrabuilding Network Cable | |
| 27 | 2431 Aerial Wire | |
| 28 | 2441 Conduit Systems | |
| 29 | Total Depreciation (lines 1..28) | |

## I-1. INCOME STATEMENT

| Line No. | Description (a) | Column (b) |
|---|---|---|
| | Operating Revenues | |
| 1 | 5000-5060 Local Service Revenues | |
| | ~~5071-5074 Interconnection Revenue~~ | |
| 2 | 5081**.1** ~~Interstate~~ End User Revenue Other than Universal Service Funds | |
| 3 | ~~5090.1~~5081.2 Federal Universal Service Fund Revenue | |
| 4 | 5082**.1** Interstate Switched Access Revenue | |
| 5 | ~~5084.1~~ 5082.2 Intrastate Switched Access Revenue | |

## I-1. INCOME STATEMENT (continued)

| Line No. | Description (a) | Column (b) |
|---|---|---|
| 6 | 5083**.1** Interstate Special Access Revenue | |
| 7 | ~~5084.2~~ 5083.2 Intrastate Special Access Revenue | |
| 7 | ~~5090.2~~5083.3 State Universal Service Fund Revenue | |
| 8 | Total Network Access ~~and Interconnection~~ Revenues | |
| 9 | ~~5100~~ 5105 Long Distance Message Revenue | |
| 10 | ~~5230~~5200.1 Directory Revenue | |
| | ~~5240 Rent Revenue~~ | |
| 11 | ~~5270~~5200.2 Carrier Billing and Collection Revenue | |
| 12 | ~~5250, 5260,~~ 5200.3 Other Miscellaneous Revenue | |
| 13 | Total Miscellaneous Revenues | |
| 14 | 5300 Uncollectible Revenues | |
| 15 | Total Operating Revenues | |
| 16 | Interstate and Foreign (International) Revenues Included in the Above Operating Revenues | |
| | Operating Expenses | |
| 17 | 6110-6114 Network Support Expenses | |
| 18 | 6120-6124 General Support Expenses | |
| 19 | 6211 ~~Analog Electronic~~ Non-digital Switching Expense | |
| 20 | 6212**.1** Digital Electronic Expense - **Circuit** | |
| 21 | 6212**.2** Digital Electronic Expense - **Packet** | |

| | | |
|---|---|---|
| | ~~6215 Electromechanical Expense~~ | |
| 22 | Total Central Office Switching Expenses | |
| 23 | 6220 Operator Systems Expense | |
| 24 | 6231 Radio System Expense | |
| 25 | 6232**.1** Circuit Equipment Expense - **Electronic** | |
| 26 | 6232**.2** Circuit Equipment Expense - **Optical** | |
| 27 | Total Central Office Transmission Expenses | |
| 28 | 6310-6341 Information Origination/Termination Expense | |
| 29 | 6351 Public Telephone Terminal Equipment Expense | |
| 30 | 6362 Other Terminal Equipment Expense | |
| 31 | Total Information Origination/Termination | |
| 32 | 6411 Poles Expense | |
| 33 | 6421 Aerial Cable Expense | |
| 34 | 6422 Underground Cable Expense | |
| 35 | 6423 Buried Cable Expense | |
| 36 | 6424 Submarine ~~Cable Expense~~ and | |
| | ~~6425~~ Deep Sea Cable Expense | |
| 37 | 6426 Intrabuilding Network Cable Expense | |
| 38 | 6431 Aerial Wire Expense | |
| 39 | 6441 Conduit Systems Expense | |
| 40 | Total Cable and Wire Facilities Expenses | |
| 41 | Total Plant Specific Expenses | |

## I-1. INCOME STATEMENT (continued)

| Line No. | Description *(a)* | *Column (b)* |
|---|---|---|
| 42 | 6511 Property Held for Future Telecommunications Use Expense | |
| 43 | 6512 Provisioning Expense | |
| 44 | Total Other Property, Plant, and Equipment Expense | |
| 45 | 6530-6535 Network Operations Expenses | |
| 46 | 6540 Access Expense | |
| | ~~6551-6554 Interconnection Expense~~ | |
| 47 | 6554.1 Federal Universal Support Contributions | |
| 48 | 6554.2 State Universal Support Contributions | |
| | ~~Total Interconnection and Universal Service Fund Expenses~~ | |
| 49 | ~~6561~~ 6560.1 Depreciation Expense - Telecommunications Plant in Service | |
| 50 | ~~6562~~ 6560.2 Depreciation Expense - Property Held for Future Telecommunications Use | |
| 51 | ~~6563~~ 6560.3 Amortization Expense | |
| 52 | Total Depreciation and Amortization Expenses | |
| 53 | Total Plant Nonspecific Expenses | |
| 54 | 6610-6613 Marketing Expenses | |
| 55 | 6620~~-6623~~ Services Expenses | |
| 56 | Total Customer Operations Expenses | |
| | ~~6710 Executive and Planning Expense~~ | |
| 57 | 6720 General and Administrative Expense | |
| 58 | 6790 Less: Provision for Uncollectible Notes Receivable | |
| 59 | Total Corporate Operations Expenses | |
| 60 | Total Operating Expenses | |
| 61 | Net Revenue | |
| | Other Income and Expenses | |

| | | |
|---|---|---|
| 62 | 7100 Other Operating Income and Expenses | |
| 63 | 7210 Operating Investment Tax Credits - Net | |
| 64 | 7220 Operating Federal Income Taxes | |
| 65 | 7230 Operating State and Local Income Taxes | |
| 66 | 7240 Operating Other Taxes | |
| 67 | 7250.1 Provision for Deferred Operating Federal Income Tax - Net | |
| 68 | 7250.2 Provision for Deferred Operating State Income Tax - Net | |
| 69 | Net Operating Taxes | |
| 70 | Net Operating Income | |
| 71 | ~~7310-7380~~7300 Net Nonoperating Income and Expense~~s~~ | |
| 72 | 7400 Nonoperating Taxes | |
| 73 | 7500 Interest and Related Items | |
| 74 | 7600 Extraordinary Items | |
| 75 | 7910 Income Effect of Jurisdictional Differences - Net | |
| 76 | 7990 Nonregulated Net Income | |
| 77 | Net Income | |

**860-027-0050**
**Uniform System of Accounts for Large Telecommunications Utilities**

(1) The Uniform System of Accounts for Telecommunications Companies, Part 32, adopted by the Federal Communications Commission (FCC) on October 11, 2001, is hereby adopted and prescribed for all large telecommunications utilities except as modified for intrastate purposes in sections (2) through (5) of this rule.

(2) A large telecommunications utility may follow Class B accounting except when Class A accounting is needed to complete intrastate depreciation and jurisdictional separation studies, to provide the details requested in annual reports under OAR 860-027-0070, and to comply with other Oregon rules and statutes.

(3) The allocation rules in Part 32, Section 32.27, are replaced by OAR 860-027-0052(3).

(4) For construction work in progress and property held for future use, each large telecommunications utility shall maintain subsidiary records consistent with ORS 759.285.

(5) Each large telecommunications utility shall maintain subsidiary records sufficient to separately identify the following deferred taxes, revenues, and expenses:

(a) Federal and state net noncurrent deferred operating income taxes (Account 4340).

(b) Interstate and intrastate switched access revenue (Account 5082).

(c) Interstate and intrastate special access revenue (Account 5083).

(d) Miscellaneous Revenues (Account 5200):

(i) Directory revenues, including amounts derived from alphabetical and classified sections of directories and fees paid by other entities for the right to publish the large telecommunications utility's directories; the classified section of the directories; the sale of new telephone directories whether they are the large telecommunications utility's own directories or directories purchased from others; additional and boldface listings, marginal displays, inserts, and other advertisements in the alphabetical sections of the telephone directories; and unlisted and nonpublished telephone numbers;

(ii) Interstate and intrastate carrier billing and collection revenues derived from the provision to other telecommunications providers for services such as message recording, billing, collection, billing analysis, and billing information services, whether rendered under tariff or contractual arrangements; and

(iii) Miscellaneous revenue other than directory or carrier billing and collection revenues.

(e) Universal Service Fund (USF) revenues and expenses:

(i) Collections from customers for federal USF and Oregon USF;

(ii) Contributions to the federal USF and Oregon USF; and

(iii) Distributions from the federal USF and the Oregon USF.

(f) Depreciation expenses related to telecommunications plant in service, depreciation expense related to property held for future use, and amortization expense.

**860-034-0393**
**Uniform System of Accounts for Small Telecommunications Utilities**

(1) The Uniform System of Accounts for Telecommunications Companies, Part 32, adopted by the Federal Communications Commission (FCC) on October 11, 2001, is hereby adopted and prescribed for all small telecommunications utilities except as modified for intrastate purposes in sections (2) through (5) of this rule.

(2) A small telecommunications utility may follow Class B accounting except when Class A ac-

counting is needed to complete intrastate depreciation and jurisdictional separation studies, to provide the details requested in annual reports under OAR 860-034-0395, and to comply with other Oregon rules and statutes.

(3) The allocation rules in Part 32, Section 32.27, are replaced by OAR 860-034-0394(3).

(4) For construction work in progress and property held for future use, each small telecommunications utility shall maintain subsidiary records consistent with ORS 759.285.

(5) Each small telecommunications utility shall maintain subsidiary records sufficient to identify the following deferred taxes, revenues, and expenses:

(a) Federal and state net noncurrent deferred operating income taxes (Account 4340).

(b) Interstate and intrastate switched access revenue (Account 5082).

(c) Interstate and intrastate special access revenue (Account 5083).

(d) [Reserved].

(e) Universal Service Fund (USF) revenues and expenses:

(i) Collections from customers for federal USF and Oregon USF;

(ii) Contributions to the federal USF and Oregon USF; and

(iii) Distributions from the federal USF and the Oregon USF.

(f) Depreciation expenses related to telecommunications plant in service, depreciation expense related to property held for future use, and amortization expense.

**860-034-0730**
**Uniform System of Accounts for Type 2 Cooperatives**

(1) The Uniform System of Accounts for Telecommunications Companies, Part 32, adopted by the Federal Communications Commission (FCC) on October 11, 2001, is hereby adopted and prescribed for all Type 2 cooperatives utilities except as modified for intrastate purposes in sections (2) through (11) of this rule.

(2) A Type 2 cooperative may follow Class B accounting except when Class A accounting is needed to complete intrastate depreciation and jurisdictional separation studies, to provide the details requested in annual reports under OAR 860-034-0750, and to comply with other Oregon rules and statutes.

(3) The allocation rules in Part 32, Section 32.27, are replaced by OAR 860-034-0740(3).

(4) For construction work in progress and property held for future use, each Type 2 cooperative shall maintain subsidiary records consistent with ORS 759.285.

(5) Each Type 2 telecommunications cooperative shall maintain subsidiary records sufficient to identify the following revenues and expenses:

(a) [Reserved].

(b) Interstate and intrastate switched access revenue (Account 5082).

(c) Interstate and intrastate special access revenue (Account 5083).

(d) [Reserved].

(e) Universal Service Fund (USF) revenues and expenses:

(i) Collections from customers for federal USF and Oregon USF;

(ii) Contributions to the federal USF and Oregon USF; and

(iii) Distributions from the federal USF and the Oregon USF.

(f) Depreciation expenses related to telecommunications plant in service, depreciation expense related to property held for future use, and amortization expense.